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SUMMARY

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PROBLEM OF OPTIMUM UTILIZATION OF MANPOWER RESOURCES AND CAPITAL INVESTMENTS

By V. KOLLONTAI

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PROBLEM OF OPTIMUM UTILIZATION OF MANPOWER RESOURSES AND CAPITAL INVESTMENTS

by

V. Kollontai

SUMMARY

1. It is characteristic of the present situation in the newly developing Asian, African and Latin American countries that on the one hand they are short of funds for capital investments and on the other hand they have an abundancy of unemployed manpower. In this connection views are expressed that these countries should direct their attention to development of industries which consume few funds and much labour.

This approach ignores the actual problem facing the newly-developing countries. They have not only to increase production but also to make their productive base economically effective so as to create conditions for an all round increase in production in all spheres of their national economy.

This will evidently require a technical reconstruction of vital branches and the introduction of latest achievements of science and technology. The pace of this process is bound to vary in different branches due to both technical and economic reasons as well as to shortages of capital for investment, qualified personel etc. In some branches capital intensive techniques will be introduced while other branches will be at least temporarily more labour intensive. In this context it is interesting to examine the role that small-scale production is destined to play in the national programmes of economic development.

2. It is of interest to recall the economic development of the USSR in the late twenties and early thirties when speedy industrialization of the country was lauched. At that time small scale enterprises gave a considerable proportion of the whole industrial production. Though it was the policy of the Soviet state to encourage small scale industry, the expansion of production at small local factories was never considered an aim in itself or as a vital part of development plans. The work of such factories was always looked upon as a mere additional factor of fulfilling the national economic plan to be encouraged only as a supplemental means of solving such specific problems of economic development as the abolishment of unemployment and increase of production. The most effective way to solve these problems was the policy of an allout industrialization, directing all resourses of the country to creating large factories. It is worth while mentioning that within the period of the first five-year-plan /1928-32/ the number of workers and employees doubled in the USSR and totalled 22 million. This increase put an end to unemployment in the early thirties, in the late twenties there were millions jobless workers/. More than a third of the increase was due to growth of employment in heavy industry from three million to 6.5 million workers. The number of construction workers increased within the period almost 4.5 times and totalled more than three million people in 1932. The number of workers at

small-scale mills varied around a constant figure, decreasing in certain years because many workers went to work in larger plants. A systematic and speedy growth of production in the chief branches could not be obtained otherwise than through large scale industries. In 1932 the total industrial production grew fourfold as compared to 1925; but large scale factories increased their production 4.7 times while small scale industry production grew only by 50 per cent.

5. It was characteristic of the economic policy in that period that different branches of small-scale industry were approached differently. Small scale industries as such encouraged were not but only those branches and to such a degree as helped to fill in the main shortages in the economy. Pricing policy, preferential credit, and other financial facilities and other economic tools were effectively used by the state in the effort to direct the development of small-scale industry. At this stage cooperation of small-scale mills was encouraged because it helped to take full stock of their productive capacities, give their activit a more useful direction and eliminate ruinous competition.

In some not infrequent cases cooperation was the first step to reconstruction of the whole industrial process. It helped to group the production into larger units and thus ensure the increase of productivity of labour. According to existing estimates in 1932 the productivity of labour was three times higher in cooperative small-scale mills than at private enterprises. Major efforts of the Soviet state were directed at higher profitability by means of improving and rationalizing the industrial processes e.g. mechanizing the mills, specialization and cooperation. This policy made it possible to turn productive cooperatives into economically powerful organizations able to invest heavily in improving and expanding production and at the same time guarantee high income to its members.

4. In the first years of industrialization small-scale cooperative industry was a means of finding and utilising possibilities of expanding production in fields where large-scale industry was nonexistent. It had therefore the task of utilising local non-deficient raw material (in particular scraper and left-over material) for producing different goods, first of all consumer goods. It should also be noted that at that stage of industrialization small-scale enterprises took part in the production of capital goods: small-scale mines were started for production of ores, as well as plants which produced spare parts and small repair work-shops. By the mid-thirties two fifths the production of small-scale enterprises was capital goods, three-fifths were consumer goods as against five-sixths in the mid-twenties. Later on with the development of large-scale industry small-scale enterprises concentrated again on the production of consumer goods.

5. A number of common trends in policy as well as the underlying economic conceptions may be of interest for newly developing nations and can help these to find a more suitable approach to the general and particular problems they are facing. For instance, the writer tries to prove the usefulness of following such a policy as will make it possible in the future to transform industrial estates into larger industrial enterprises.

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